Cranleys
CHARTERED ACCOUNTANTS

CRANLEYS' CLEVER CHECKLISTS · No. 14 · BUSINESS TAX

# Capital Allowances Checklist 2026/27

Tick it, print it, pin it up. Every box you cannot tick is a conversation worth having.




By Colin Davison FCA, Managing Partner, Cranleys Chartered Accountants. In practice since 1998. Reviewed 15 November 2026 against the 2026/27 rules.

## THE QUICK ANSWER

Companies can claim 100% full expensing on most new main-rate plant and machinery. The Annual Investment Allowance is £1m for all businesses. The main writing down allowance is 14% for 2026/27, falling to 12% from April 2027. Cars and second-hand assets follow different rules.

## THE KEY FIGURES

| 2026/27 figure | Amount |
|---|---|
| **Annual Investment Allowance** | £1m |
| **Full expensing** | 100% for companies, new main-rate assets |
| **Main writing down allowance** | 14% (12% from April 2027) |
| **Special rate writing down allowance** | 6% |
| **First year allowance** | 40% on some main-rate assets, rising to 50% from 1 January 2027 |
| **Structures and buildings allowance** | 3% a year |


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## The checklist, box by box

| | The check | What to do | Keep as evidence |
|---|---|---|---|
| ☐ | **Is the AIA allocated across the group?** | One £1m limit is shared by connected businesses. | Group allocation schedule |
| ☐ | **Full expensing, first year allowance or AIA?** | Full expensing is for companies and new assets. Sole traders, partnerships and second-hand or leased assets use AIA or first year allowances. | Asset register, invoices |
| ☐ | **Are cars treated correctly?** | AIA and full expensing do not apply to cars. A 100% allowance is available for new zero-emission cars until 31 March 2027. | Vehicle records, CO2 data |
| ☐ | **Are structures and buildings claimed?** | 3% a year on qualifying construction or renovation cost, not land. | Construction records |
| ☐ | **Are disposals dealt with?** | Selling a pooled asset can trigger a balancing charge. Keep an asset register. | Asset register, sale invoices |
| ☐ | **Repairs or improvements?** | Repairs are revenue, improvements are capital. HMRC challenges borderline spend. | Invoices, work descriptions |



**MY PRO TIP**

***timing the purchase can move the tax by a year.***

### A worked example

A company buys new machinery for £80,000. With full expensing, £80,000 is deducted in the year, saving £20,000 of corporation tax at 25%. If only the 14% writing down allowance applied, the deduction is £11,200, a saving of £2,800 in year one. The timing of purchase and the choice of relief decide which applies.

### The trap to avoid

Claiming AIA on cars. Cars are excluded, and the claim will be removed with interest.

### The case that matters

Tower MCashback LLP1 v HMRC [2011] UKSC 19: allowances follow real expenditure on the asset, and the courts look at what actually happened.

### Test your accountant

One question that tells you if you have the right adviser:

**Which relief are you claiming on each asset, and does the timing of purchase give me a better allowance?**

## What has changed recently

- The main writing down allowance fell to 14% from April 2026 and is due to fall to 12% from April 2027.
- The 40% first year allowance rises to 50% from 1 January 2027.
- Check how allowances feed profit. See the corporation tax checklist.

## Questions I get asked


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### What is full expensing?

A 100% first-year deduction for companies on new main-rate plant and machinery.

### What is the Annual Investment Allowance?

£1m a year of expenditure that can be deducted in full against profits, for any type of business, excluding cars.

### Do capital allowances apply to cars?

Not AIA or full expensing. New zero-emission cars may get a 100% first year allowance until 31 March 2027.

### What is the writing down allowance in 2026/27?

14% on the main pool, with a planned drop to 12% from April 2027.

### The 9 CAD Keys link: Acceleration

Acceleration is moving faster with the right investment. The right allowance on the right purchase pulls tax relief forward and funds growth.

**Colin's 9 CAD Keys.** CORE: Clarity, Capability, Consistency. ADVANCED: Analysis & Positioning, Alignment, Acceleration. DYNAMIC: Differentiation, Dexterity, Development. Score each key 1 to 5 in the free Business Value Assessment Scorecard, total out of 45. *Freedom is built. One CAD Key at a time.*

## Tick these next

**Tax checklist 12**
Corporation Tax and Close Companies Checklist 2026/27

**Tax checklist 13**
R&D Tax Relief Checklist 2026/27

**Tax checklist 17**
Employment, Payroll and Benefits Checklist 2026/27

### Go deeper: my books

For this topic, start with **Business Tax Secrets**, part of The Cranleys Business and Tax Secrets Series: Property Tax Secrets, Inheritance Tax Secrets, Business Tax Secrets, Starting Up Secrets, Business Growth Secrets and Business Exit Secrets. The books are launching soon. Join the launch list at cranleys.online/books and I will tell you the moment each one is released.

YOUR NEXT STEP

### Ring me. Free draft plan, no hard sell.

I will build you a free draft tax plan or business plan on my 9 CAD Keys: a scorecard, a 12-month cashflow forecast, a 90-day action plan and a review with me. **1** Get in touch. **2** Short intro call. **3** Your free draft plan in plain English. You decide what happens next.

***Spend smart, claim right.***

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Scan to read online, tick it on screen and take the Scorecard



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